

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND
MINUTES OF MEETING HELD
February 23, 2004

James Feeney called the meeting to order at 2:08 P.M. at the Town Council Chambers, Jupiter, Florida. Those persons present were:

TRUSTEES

James Feeney
Todd Wodraska
Marc Dobin
Peter Alfele

OTHERS

Ken Harrison, Sugarman & Susskind, Fund Counsel
Nick Schiess, Pension Resource Center
Dave West, Burgess Chambers & Associates
Joe Beattie, Sawgrass Asset Management
Brigid Saia, Town of Jupiter
Mike Simmons, Town of Jupiter

PUBLIC COMMENTS

Mr. Feeney invited those present to address the Board with public comments. There were no public comments.

MINUTES

The Board reviewed the minutes of the meeting held January 21, 2004. Mr. Alfele made a motion approve the minutes of the meeting held January 21, 2004. Mr. Dobin seconded the motion, approved by the Trustees 4-0.

INVESTMENT MANAGER REPORT: SAWGRASS ASSET MANAGEMENT

Jo Beattie discussed the investment performance for the period ending December 31, 2003. He reported the bond portfolio underperformed the index by .7% since inception in March 2003. He discussed in detail the characteristics of the portfolio versus the benchmark. Mr. Beattie explained that per the investment policy the portfolio contained higher quality bonds than the index and the lower quality portion of the index delivered the highest returns. Mr. Beattie discussed in detail market and economic conditions with respect to bond performance and anticipated earnings to be fat in the near future. Mr. Beattie noted that the bond portfolio was defensively postured in anticipation of rising interest rates and should then outperform the index.

Marc Dobin departed the meeting.

Mr. Beattie discussed a letter received from the Fund's Attorney dated February 10, 2004 regarding recent mutual fund scandals. Mr. Beattie noted that the bond portfolio did not contain mutual funds. Ken Harrison reported that the letter was mailed to all the Fund's Investment Managers and the purpose of the letter was to request that the managers

disclose to the Board the ownership of mutual funds and the potential impact on the management of the portfolios.

INVESTMENT MONITOR REPORT

Dave West appeared before the Board to discuss on the investment performance of the Fund for the quarter ending December 31, 2003. Mr. West reported that the Fund was up 5.21% for the quarter December 31, 2003 compared to the benchmark of 7.3%. Investment earnings for the quarter ending December 31, 2003 were \$661,832.00 and the total market value of the Fund as of December 31, 2003 was 12,439,947.00.

Mr. West reviewed the compliance checklist noting that all items were in compliance with the Fund's investment objectives with the exception of the fact that the Fund has not achieved a three-year rolling return of 8.0%, which no other public pension fund has met either.

Mr. West then discussed the performance of the individual investment managers for the quarter ending December 31, 2003. Private Capital Management was up 28.9% for the quarter while the Russell 3000 was up 30.91%. He noted that although a small cap exposure helped performance, a large cash position in a time of market growth hindered performance. Mr. West stated that he was very comfortable with Private Capital Management's performance and would monitor their cash allocation. Lend Lease Rosen REIT performance was 8.3% as compared to the Wilshire REIT index of 9.13%. He explained that the underperformance was due to the portfolio's defensive posture. Sawgrass Asset Management was up .06% and trailed the benchmark of .4%. Mr. West agreed with Mr. Beattie's explanation that the portfolio contained higher quality bonds than the index while the lower quality portion of the index delivered the highest returns.

Mr. West reviewed the asset allocation of the plan. He noted that Private Capital Management's large cash position and the \$750,000 awaiting investment into C.S. McGee were drags on the portfolio. It was noted that the contact with C.S. McGee had been approved but not been executed by the chairman. Mr. Harrison advised that James Feeney was a Board Officer who could execute the contract. Mr. Schiess presented the contact for Mr. Feeney's signature.

Mr. West discussed investment return versus risk characteristics of the portfolio. A lengthy discussion arose regarding the risk characteristics. Mr. West noted that the objective is to increase return while lowering risk and the recent addition of the international equity and REIT asset classes diversify the portfolio and lower overall risk. The Board discussed and evaluated the risk measurements provided by Mr. West and it was noted that the rolling three year statistics included the past poor performance of the prior investment managers. A lengthy discussion ensued regarding the sector allocations and sector performance for the equity portfolio. A lengthy discussion ensued as to whether sector allocations were within appropriate deviations from the index and the implications of the sector allocations to the risk profile of the equity portfolio. It was noted that although the overall performance was good, relative performance was not.

Mr. Wodraska stated for the record that he believed that the equity portfolio should be more conservative regarding sector allocations. Mr. Wodraska requested Mr. West to prepare a weighted average beta of the equity portfolio as of December 31, 2004 for discussion at the next meeting. Mr. West noted that the Fund had an obligation of an 8% investment return and that the portfolio was in the process of being reconstructed. He discussed the capitalization of the equity portfolio noting that it contained small, medium, and large cap equities and noted that Private Capital Management would invest into the capitalization and sectors wherein growth was anticipated. He discussed the possibility of adding a large cap manager but noted that it was cost effective to employ a multi cap manager.

Mr. West provided the Board with an Addendum to the Investment Policy for the procedure for rebalancing the asset allocation. Mr. West explained the procedure for rebalancing including the target allocation and minimum and maximum range for each class of assets. It was noted that due to the market fluctuations of the assets, it was often necessary to rebalance the portfolio in between Board meetings to remain within the Investment Policy guidelines. After a thorough and lengthy discussion by the Board, Mr. Wodraska made a motion to adopt the Addendum to the Investment Policy. A question arose to the anticipated frequency of rebalancing and Mr. West responded that this was dependent upon market performance but that it would be reviewed at least annually. Mr. Alfele seconded the motion, approved by the Trustees 3-0.

Mr. Wodraska informed the Board that he was running for the position of Town Councilman and would resign his position of Trustee if elected.

Mr. West reported that the Custodian, Salem Trust, had requested that the Fund select a replacement money market fund for the receipt and disbursement account. He reviewed the alternatives provided by Salem Trust as suitable replacements noting that all were comparable but recommended the Goldman Sach's Prime Fund because it charged the lowest fee. Mr. Schiess reported that a former Investment Manager, Invesco, had selected the original money market fund and Salem Trust was now seeking direction from the Board as to which alternate fund to use. The Board discussed the alternative money market funds. Mr. Alfele made a motion to direct the Administrator to send a letter to Salem Trust to authorize the transfer the receipt and disbursement account funds into the Goldman Sach's Prime Fund based upon the recommendation of the Investment Monitor. Mr. Wodraska seconded the motion, approved by the Trustees 3-0.

ATTORNEY REPORT

Mr. Harrison reported that the revised benefit calculation for Participant James O'Connor based upon the recent Ordinance that afforded Mr. O'Connor survivorship options had been mailed to Mr. O'Connor's Attorney. Mr. Schiess reported that Mr. O'Connor had elected a 100% joint and survivorship option and the Administrator had processed the new benefit.

As a legislative update, Mr. Harrison reported that the bill to establish a database for the accurate tracking of premium tax revenues was under consideration and had successfully passed through two Senate subcommittees.

Mr. Harrison provided the Board with a letter dated January 21, 2004 from Patricia Shoemaker of the Florida State Division of Retirement in response to Mr. Sugarman's letter dated January 8, 2004 questioning whether the Town's failure to adopt minimum benefits as prescribed by Chapter 99-1 jeopardized the continued receipt of Chapter 185 funds. Mr. Harrison discussed Ms. Shoemaker's letter noting that there was an excess reserve of \$81,262 and there were minimum benefits remaining to be implemented. A question arose as to whether the Board had done everything within its power to implement the outstanding minimum benefits. It was noted that the Board had discussed the issue at length with the Town and submitted an Ordinance amendment to enact the minimum benefits. It was further noted that the Town had declined to pass the Ordinance based upon the recommendation of Attorney James Lind who had recommended that the issue be resolved in bargaining. Mr. Harrison disagreed with Mr. Lind's position because the Town is mandated to adopt the minimum benefits and is possibly in danger of forfeiting future Chapter 185 funding. The Board determined that it had attempted everything possible to implement the benefits. Mr. Schiess noted that a revised cost study of the minimum benefits based upon the 2003 Actuarial Valuation would be completed by the Actuary and be available in May 2003.

DISBURSEMENTS

Mr. Schiess reviewed the disbursement list. Mr. Schiess noted that an invoice in the amount of \$1,500 had been received from the Town in conjunction with services for the 2003 Audit. Mr. Harrison advised the Town representatives present at the meeting that the Statutes specifies that a separate letter of engagement must be presented to the Board prior to the commencement of the Audit and he requested that the Town do so for future audits. It was noted that the Fund was permitted to attain an audit separately from the Town. Mr. Schiess reported that the Administrator had received a past due notice from Invesco regarding investment management fees. However, the amount of the invoice did not coincide with that listed on the disbursement list. Mr. Schiess reported that the Administrator had received several invoices from Invesco and the amount listed on the disbursement list represented the final fee while the invoice provided for review represented the original amount. The invoice from Invesco was tabled until the next meeting, when the final fee invoice could be reviewed by the Board. Mr. Alfele made a motion approve the disbursements with the exception of the Invesco invoice. Mr. Wodraska seconded the motion, approved by the Trustees 3-0.

ADMINISTRATIVE REPORT

Mr. Schiess provided the Board with the revised DROP Administrative Rules and Procedures as determined by the Board and effective in the meeting on December 17, 2003. He provided the Board with a revision of a previous memo to the Participants explaining the provisions of the DROP.

Mr. Schiess reported that the Summary Plan Description was scheduled to be revised in May 2004 by the Actuary. The Board discussed the actual printing of the document given the upcoming contract negotiations and pending minimum benefits and possible subsequent Plan revisions. Mr. Harrison noted that the statutes require the distribution of a revised Summary Plan Description every two years but did not stipulate the presentation of the document itself. The Board decided that the revised Summary Plan Description would be distributed but not be professionally printed until changes in the Plan provisions are determined.

Marc Dobin entered the meeting.

Mr. Schiess reported that Don Kowalski had contacted the Administrator's office regarding the purchase of prior service credit with the Town. Mr. Kowalski had opted out of the Plan in the year 1991 and sought to re-enter the Plan. An Ordinance passed in 1995 allowed a ten day window for those Participants who had previously opted out to re-enter the Plan and buy-back prior service but Mr. Kowalski did not participate then. The Town was considering another Ordinance that would afford Mr. Kowalski another opportunity to re-enter the Plan retroactively to the year 1995. However, the Town had requested a cost study be performed prior to any consideration. Mr. Schiess reported that he had contacted the Actuary regarding the calculation of Mr. Kowalski's buy-back. He noted that the fee for the calculation was \$500. A discussion ensued regarding Mr. Kowalski's buy-back. A question arose regarding pre-existing conditions that may be cause for a claim for disability benefits once the buy-back was completed. Mr. Harrison discussed the issue noting that it was within the Board's rights to require a physical examination of Mr. Kowalski. A discussion arose as to whether the Board or Mr. Kowalski would be responsible for the cost study. Mr. Alfele made a motion to authorize the cost study following payment of the \$500 fee by Mr. Kowalski. Mr. Wodraska seconded the motion, approved by the Trustees 4-0.

Mr. Schiess provided an update on the general liability insurance previously approved by the Board to protect the Fund from the liability of any damages incurred by the Trustees while traveling for business on behalf of the Fund. He reminded the Board that the total insurance coverage of three million dollars consisted of a general liability policy for one million dollars plus an umbrella policy for two million dollars. Mr. Schiess further explained that the premium for the umbrella policy was omitted from the literature provided by the insurance agent, which was subsequently presented to the Board. He reported that the general liability insurance had been bound but an additional premium of \$1,100 would be required to purchase the umbrella policy. Mr. Schiess reminded the Board that this matter had been discussed at the previous meeting and he had been directed to verify and discuss the quote with the insurance agent and report back to the Board at the next meeting. He reported that the additional premium was correct and necessary for the additional coverage. Mr. Dobin made a motion to authorize the purchase of the umbrella policy. A discussion arose and it was noted that the Town's general liability coverage was one million dollars. Mr. Dobin withdrew his motion. Mr. Alfele made a motion to maintain one million dollars of general liability coverage. Mr. Wodraska seconded the motion, approved by the Trustees 4-0.

There being no further business and the next regularly scheduled meeting being set for Monday, May 17, 2004 at 2:00 P.M., the meeting was adjourned at 4:40 P.M.

Respectfully submitted,

James Feeney, Secretary